



A subsidiary of Pinnacle West Capital Corporation



0000040007

David Rumolo
Manager
Regulation & Pricing

RECEIVED
Tel 602-250-3933
Fax 602-250-3003
e-mail David.Rumolo@aps.com

Mail Station 9708
PO Box 53933
Phoenix, Arizona 85072-3933

50

2006 JAN 26 P 4: 57

January 26, 2006

AZ CORP COMMISSION
DOCUMENT CONTROL

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

RE: Compliance Filing of Arizona Public Service Company
Docket Nos. E-01345A-05-0526 AND E-01345A-03-0437

Dear Sir/Madam:

Pursuant to actions of the Arizona Corporation Commission in Open Meeting held January 24 and 25, 2006, attached are 1) Revised Rate Schedule PSA-1 and 2) workpapers documenting the computations of the four mills per kWh PSA Adjustor Rate approved by the Commission effective February 1, 2006.

If you have any questions regarding the attached report, please contact me at 602-250-3933.

Sincerely,

David Rumolo
Manager
Regulation & Pricing

Cc: Ernest Johnson
Barbara Keene
Compliance Section

ARIZONA PUBLIC SERVICE COMPANY
Schedule 1
2005 Monthly Energy Sales and Costs

Line No.	Month	(a) PSA Retail ¹ Energy Sales (kWh)	(b) Native Load ² Wholesale Energy Sales (kWh)	(c) Native Load Energy Sales (kWh)	(d) System ³ Book Fuel and Purchased Power Costs	(e) System Book ⁴ Off-System Sales Revenue	(f) Net Native Load Power Supply Cost	(g) PSA Retail Power Supply Cost	(h) Base Rate Power Supply Cost	(i) Pre-Sharing (Over)/Under Collection	(j) Post-Sharing (Over)/Under Collection
				(a + b)			(d - e)	(a/c * f)	(a * 0.020743)	(g - h)	(i * 0.9)
1	January	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	February	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	March	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	April	1,740,332,253	66,132,000	1,806,464,253	\$ 43,104,060	\$ 3,912,992	\$ 39,191,068	\$ 37,756,341	\$ 36,099,712	\$ 1,656,629	\$ 1,490,966
5	May	2,235,997,989	74,575,395	2,310,573,384	\$ 68,021,558	\$ 4,071,192	\$ 63,950,366	\$ 61,886,323	\$ 46,381,306	\$ 15,505,017	\$ 13,954,515
6	June	2,565,383,692	59,137,886	2,624,521,578	\$ 82,623,490	\$ 3,805,618	\$ 78,817,872	\$ 77,041,883	\$ 53,213,754	\$ 23,828,129	\$ 21,445,316
7	July	3,075,187,048	98,176,607	3,173,363,655	\$ 116,981,600	\$ 3,172,422	\$ 113,809,178	\$ 110,288,182	\$ 63,788,605	\$ 46,499,577	\$ 41,849,619
8	August	2,932,462,804	95,743,670	3,028,206,474	\$ 108,064,494	\$ 3,857,282	\$ 104,207,212	\$ 100,912,463	\$ 60,828,076	\$ 40,084,387	\$ 36,075,948
9	September	2,570,201,155	74,901,341	2,645,102,496	\$ 86,283,345	\$ 3,005,558	\$ 83,277,787	\$ 80,919,610	\$ 53,313,683	\$ 27,605,927	\$ 24,845,334
10	October	2,148,761,907	82,028,000	2,230,789,907	\$ 78,481,302	\$ 5,884,090	\$ 72,597,212	\$ 69,927,752	\$ 44,571,768	\$ 25,355,984	\$ 22,820,386
11	November	1,765,673,110	62,258,774	1,827,931,884	\$ 37,494,179	\$ 4,822,816	\$ 32,671,363	\$ 31,558,587	\$ 36,625,357	\$ (5,066,770)	\$ (4,560,093)
12	December	1,996,991,598	82,344,000	2,079,335,598	\$ 60,680,939	\$ 5,971,064	\$ 54,709,875	\$ 52,543,303	\$ 41,423,597	\$ 11,119,706	\$ 10,007,735
13	Total	21,030,991,556	695,297,673	21,726,289,229	\$ 681,734,967	\$ 38,503,034	\$ 643,231,933	\$ 622,834,444	\$ 436,245,858	\$ 186,588,586	\$ 167,929,726
14											

¹ PSA Retail Energy Sales are the calendar month's kWh sales. Cumulative Retail Energy Sales of 36,534 MWhs under rate schedule E-36 were excluded from the PSA Calculations.

² Includes traditional sales-for-resale and PacifiCorp supplemental sales.

³ Includes native load and off-system fuel and purchased power costs less those costs associated with E-36 (\$3,908,459), the non-fuel Bridge PPA, ISFSI and mark-to-market accounting adjustments. Excludes net savings of \$1,159,000 associated with the Sundance units pursuant to Decision No. 67504. The Wheeling costs included this month are \$1,337,040.

⁴ The Broker Fees excluded this month are \$5,617. Broker fees excluded for the April - December period are \$147,035.

Includes off-system revenue less mark-to-market accounting adjustments.

Definitions of commonly used terms for this filing are included in the PSA Plan for Administration. Any new terms will be defined on this page.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 2
2005 Annual Balancing Account Interest

Line No.	Month	Balancing Account Monthly Interest
1	January	\$ -
2	February	\$ -
3	March	\$ -
4	April ¹	\$ -
5	May	\$ 3,466
6	June	\$ 35,919
7	July	\$ 85,863
8	August	\$ 183,363
9	September	\$ 267,666
10	October	\$ 326,053
11	November	\$ 379,869
12	December	\$ 370,150
13	Total	\$ 1,652,349

Move Forward to Schedule 3, Line 2 \$ 1,652,349

¹ No interest was accrued in April since it is the first month for the PSA.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 3
2005 Year End PSA Adjustor Rate Calculation

Line			
No.	<u>PSA Adjustor Rate Calculation</u>		
1	Post-Sharing (Over)/Under Collection Amount (From Sch. 1)	\$ 167,929,726	
2	Annual Balancing Account Interest (From Sch. 2)	\$ 1,652,349	
3	Less: Approved Amortization Surcharge Balance	\$ -	
4	Bandwidth Carry Forward from Prior Period	\$ -	
5	Total (Credit)/Charge Amount (Line 1 + Line 2 + Line 3 + Line 4)		<u>\$ 169,582,075</u>
6	Total (Credit)/Charge Amount	\$ 169,582,075	
7	Projected Energy Sales without E-3, E-4 and E-36 (kWh)	<u>27,430,972,000</u>	
8	Computed Adjustor Rate per kWh (Line 6 / Line 7)	<u>\$ 0.006182</u>	
	<u>Adjustor Rate Bandwidth</u>		
9	Adjustor Rate Bandwidth Upper Limit	<u>\$ 0.004000</u>	
10	Adjustor Rate Bandwidth Lower Limit	<u>\$ (0.004000)</u>	
11	Applicable Adjustor Rate per kWh		<u><u>\$ 0.004000</u></u>
12	Total (Credit)/Charge Carried Forward Due to Adjustor Rate Bandwidth		<u><u>59,858,187</u></u>

Note: This calculation is done once a year for the change to the PSA Adjustor Rate in February.

ARIZONA PUBLIC SERVICE COMPANY
SALES FORECAST BY CLASS
2006 Budget--Year 2006

[illegible]



ADJUSTMENT SCHEDULE PSA-1 POWER SUPPLY ADJUSTMENT

APPLICATION

The Power Supply Adjustment ("PSA") shall apply to all retail electric schedules with the exception of Solar-1, Solar-2, SP-1, E-3, E-4, E-36 and Direct Access service. All provisions of the customer's current applicable rate schedule will apply in addition to this charge.

PSA ADJUSTOR RATE ANNUAL ADJUSTMENT

The main components of the PSA are: 1) a risk sharing mechanism whereby APS and its customers share in the costs/savings on a 90% customer, 10% APS basis; 2) a bandwidth that limits the amount the PSA Adjustor Rate ("Adjustor Rate") can change over the entire term of the PSA to plus or minus \$0.004 per kWh; 3) a tracking and balancing account; 4) a surcharge mechanism, separate from the Adjustor Rate; and 5) the inclusion of off-system sales. The calculation method is set forth in the filed Power Supply Adjustment Plan of Administration (the "Plan") and the Order from Docket Nos. E-01345A-05-0526, and E-01345A-03-0437 approved on January 25, 2006. Standard Offer services covered by this charge include a Base Rate Power Supply Cost of \$0.020743 per kilowatt-hour.

The Adjustor Rate is calculated annually and the total (credit)/charge collection amount is recovered over twelve months. The Adjustor Rate is applied to the customer's bill as a monthly kilowatthour charge and is the same for all affected customer classes. The Adjustor Rate will change in billing cycle 1 of the February revenue month and it will not be prorated. The Adjustor Rate must remain within the Bandwidth that limits the amount it can increase or decrease each year.

RATES

The charges shall be calculated at the following rates:

PSA Adjustor Rate

All kWh	\$0.004	per kWh
---------	---------	---------

Amortization Surcharge

All kWh	\$0.000000	per kWh
---------	------------	---------

COMPLIANCE REPORTS

The Adjustor Rate and Balancing Account calculations and supporting information will be provided to the Commission monthly as specified in the Order from Docket Nos. E-01345A-05-0526, and E-01345A-03-0437 approved on January 25, 2006. Workpapers and other documents supporting the calculations that contain proprietary or confidential information are provided to the Commission Staff under an appropriate confidentiality agreement. APS will keep fuel and purchased power invoices and contracts available for Commission review. All of the information is available during the year, upon Commission request. The Commission has the right to review the prudence of fuel and power purchases and any calculations associated with the PSA at any time. Any costs flowed through the PSA are subject to refund, if those costs are found to be imprudently incurred.



ADJUSTMENT SCHEDULE PSA-1 POWER SUPPLY ADJUSTMENT

DIRECTLY ASSIGNED POWER SUPPLY COSTS EXCLUDED

In cases when power supply costs are incurred for a specific customer or group of customers, the customer or group of customers will be directly charged the identified costs in accordance with the Plan. Power supply costs and related energy sales recovered through direct assignments for both existing and returning customers as described on rate schedule RCDAC-1 will be excluded from the computation of the above charges applied to other Standard Offer service customers.